

Exclusive Franchise Limited Impact Evaluation

Briefing Summary

The City of Chicago (hereafter referred to as the “City”) is proposing an ordinance to franchise the collection and disposal of certain wastes and recyclable materials produced by commercial, industrial, institutional and multifamily buildings. Under the proposed ordinance, the City will establish several exclusive franchise service areas throughout the City and will grant the authority to select a single qualified waste and recyclables hauler to operate in each service area. Establishes exclusive franchises that will:

- Lower and standardize collection and disposal costs within service areas;
- Stabilize yearly cost increases;
- Enhance the enforcement of current public safety and health laws;
- Reduce greenhouse gas (GHG) emissions and vehicle pollutant emissions
- Minimize and more effectively control the flow of heavy equipment on City alleys and streets;
- Provide every customer with recycling services and reduce landfilled waste volumes; and
- Create jobs through increased recycling.

Current Collection System

- Chicago’s Department of Streets and Sanitation (DSS) collects waste generated by residential structures containing four units or less (approximately 750,000 households), along with some places of worship, institutions and municipal locations. This roughly accounts for two-thirds of the residential collected waste in the City, or approximately 1.2 million tons.
- Privately-owned collection firms collect the remainder of the waste and recyclables generated in Chicago.
- Combined, approximately 6.6 million tons of municipal solid waste are generated in the City each year of which 3.5 million tons is construction and demolition (C&D) waste.

Exclusive Franchise System

- The City is considering the development of an exclusive franchise agreement for the collection and disposal of certain wastes and recyclable materials produced by commercial, industrial, institutional and multifamily buildings. Approximately 1.9 million tons of waste and recyclables will be collected as part of the exclusive franchise, estimated to be 500,000 tons from multifamily residential, 1.2 million tons from commercial/institutional, and 200,000 tons from industrial lunchroom and office buildings.
- Under an exclusive franchise agreement, the City grants a single private company the right to charge residents and/or businesses in a designated area of the City for waste collection

services. The City will divide its jurisdiction into Service Areas and grant exclusive franchises for each area.

Benefits of Waste Franchising

- Potential cost savings to entities currently contracting with privately-owned waste collection companies.
- Potential increased recycling rate resulting from a non-fee separate recycling collection program.
- Potential reduction in traffic, reduced vehicle miles traveled (VMT), and reduced infrastructure improvement costs associated with reductions in equivalent single axle loads (ESALs).
- Potential benefits to the environment including reduced noise and improved air quality, public health and safety.
- Reduction in GHG emissions from reduced VMT and reduced quantity of landfilled waste.
- Potential job creation within the recycling industry.

Cost of Service Impacts

- The 2008 Chicago Waste Collection Survey results indicate customers are charged a wide range of prices for similar services. For example, prices range from \$35 to \$175 monthly for a 1 cubic yard container that is collected once per week. Prices range from \$68 and \$251 monthly for a 2 cubic yard container that is collected 2 times a week.
- Although the extent of cost savings in the City can not be accurately predicted without the waste haulers' actual bids, the City can expect a significant cost savings based on results seen in other communities from marketing and operating efficiencies realized by the haulers.
- Through the Village of Skokie's franchise agreement, 88% of businesses saved an average of 44% on waste collection and 12% of the businesses' costs were the same, or were frozen with no increased costs.
- It is predicted that more than 80% of customers will pay less for refuse services under the exclusive franchise program. The remaining customers will pay the same rate as they are currently paying for a one year period.

Recycling Rate Impacts

- Approximately 17% of City businesses currently have separate recycling containers and 8% use a "Blue Bag"-type recycling program. The current recycling rate for industrial, commercial and institutional sources is approximately 29%. The majority of this material is collected from entities in the Loop and near-Loop areas and minimal recycling (3 to 5% estimated) is done in the remainder of the City.
- Approximately 10% of multifamily residential buildings currently have separate recycling containers and 12% use a "Blue Bag"-type recycling program. The current multifamily recycling rate is approximately 3 to 5%.

- The current recycling rate for privately collected ICI and multifamily residential waste is 22% (i.e. 400,000 tons per year recycled and 1,500,000 tons per year landfilled).
- The predicted recycling rate with an exclusive franchise for privately collected ICI and multifamily residential waste is 40% (i.e. 800,000 tons per year recycled and 1,100,000 tons per year landfilled).

Traffic and Infrastructure Impacts

- Private haulers indicate a waste collection vehicle typically travels between 46 and 75 miles per day, with a weighted average of 68 miles per day. It is anticipated that with the efficiencies expected from an exclusive franchise program, the majority of trucks will travel approximately 45 miles per day.
- Currently, approximately 381 to 425 trucks collect waste and recycling streams from entities proposed to be covered under the franchise. Combined, these trucks travel approximately 7,246,000 miles annually.
- Under an exclusive franchise program, approximately 358 to 399 trucks will be needed to collect waste and recycling streams, and as a result of increased efficiencies, they will travel approximately 5,893,000 miles annually.
- Therefore, under an exclusive franchise program, there will be 6 percent fewer trucks and 19 percent less miles traveled.
- Reduced vehicle miles traveled will reduce wear and tear on City streets and alleys, prolonging pavement life expectancy and reducing pavement rehabilitation costs.

Environmental Impacts

- Annual (GHG) emissions for the current collection program are approximately 589,000 metric tons of CO₂ equivalent. This equates to the annual CO₂ emissions of approximately 108,000 passenger vehicles.
- An exclusive franchise program could reduce GHG emissions by 23%. This equates to taking 25,000 passenger vehicles off the road for an entire year.
- Nitrogen oxides (NO_x) and sulfur oxides (SO_x) emissions are estimated to be reduced by 27%.

Job Impacts

- Implementation of the exclusive franchise program will create between 590 and 670 recycling related jobs as a result of the 18% increase in the recycling rate, according to the 2001 Illinois Recycling Economic Information Study.
- As a result of the decreased waste collection and increased recycling collection vehicles needed, employment may increase by 18 jobs or decrease by 67, depending on the actual number of collection trucks needed.
- Therefore, the total employment impact of a citywide exclusive refuse and recycling private collection franchise will be a net gain of between 523 to 688 related jobs.

City of Chicago Exclusive Waste Collection Franchises

As part of the City's efforts to improve recycling, reduce wear-and-tear on the alley's, reduce noise and pollution, and reduce greenhouse gas emissions, the City is pursuing an ordinance to franchise the collection of certain wastes and recyclable materials produced by commercial, industrial, institutional and multifamily buildings. A preliminary framework for this effort is outlined below.

Franchise Areas: The City would be divided into 10 - 20 exclusive franchise service areas.

Scope of Work: A Franchisee would have exclusive rights within a Service Area to collect certain wastes and recyclable materials from entities for which private disposal materials collection is required, including residential buildings with five units or more and commercial, industrial and institutional establishments. Wastes to be covered by the franchise program are anticipated to include garbage, household waste, commercial/retail waste, institutional waste, and industrial lunchroom and office waste, as those terms are defined in the Chicago Municipal Code, Section 11-4-120. Separate collection of recyclables would be required.

Not all wastes, recyclables or collection services would be included in the franchise program. For example, temporary roll-off services, construction and demolition debris collection services, and certain wastes requiring special handling will not be included. Provisions for exemptions will be included.

The estimated quantity of waste to be handled under the franchise agreements is 1.9 million tons per year (approximately 500,000 tpy from multi-family residential, 1.2 million tpy from commercial and 200,000 tpy from industrial establishments).

Term: The term of the exclusive franchise would be seven years.

Cost of Services: Each Service Area is proposed to have a pricing matrix that will outline the costs of services to be provided under the franchise. Any entity that has a lower cost of service than shown in the pricing matrix would have that pricing grandfathered for a determined amount of time.

Existing Contracts: All existing contracts for services to be covered by this program would be deemed invalid 15 months after franchise award. The Franchisee would be responsible for notifying entities of existing contract expiration and conversion to the franchise.

Fines and Penalties: There would be fines and penalties if the Franchisee misses a collection.

Admin Fee: An administrative fee would be collected on a regular basis and would be based on the volume of containers serviced and/or the revenues collected. The fee would cover such things as cost of franchise administration, inspections, enforcement, and public education and outreach.